

MANUAL TRANSMITTAL

Arkansas Department of Human Services

Division of County Operations

☐ Policy ☐ Form ☒ Policy Directive

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Food Stamp Certification Manual

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From: Joni Jones
 Director

Expiration Date Until
 Superseded

Subj: Allowable Costs

	Pages to be deleted	Pages to be added
Front	6626.2 to 6627	6626.2 to 6627
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Summary of Changes

1. FSC 6700 - This section was updated to include additional examples of expenses that are not allowable even if the cost is incurred by the household.
2. FSC 6710 - The policy was revised so that rent "paid in advance" will now be an allowable shelter cost.
3. FSC 6800 - The chart was updated to reflect the current policies for allowing standard deductions and dependent care costs.

Inquiries to: Betty Helmbeck, Food Stamp Section, 501-682-8284
 Betty.Helmbeck@mail.state.ar.us

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- Example 1 A household lives in a privately owned house. HUD pays all the rent and sends the household a \$50 utility reimbursement check. The household pays a light bill of about \$45 and a gas bill of about \$45 per month. The household has an air conditioner and gas furnace. The household is entitled to choose the utility standard.
- Example 2 A household lives in a housing project, pays no rent, and only pays excess utility costs. The household gets a \$50 utility reimbursement check, but is not entitled to choose the utility standard. (The household pays only excess utility charges.)
- Example 3 A household lives in a housing project, pays no rent and gets a \$50 utility reimbursement check. The household's water and gas is furnished. The household must pay the electricity bill. The household uses an air conditioner. The electricity bill runs about \$90 per month. The household may choose to use the utility standard.

6627 Verification and Documentation of Shelter Costs

10-01-03

At any case action, verification of changes for the shelter occupied by the household, property taxes, or insurance will be requested only when these costs are questionable. At any case action, entitlement to the utility standard needs to be verified only if the household's statements regarding the household's primary source of heating or cooling are questionable or contradictory.

At initial application, actual utility expenses will be verified if the household's declared costs exceed the utility standard and result in a deduction. At recertification, reported change, semi-annual report or mid-point review, actual utility costs which exceed the utility standard and will result in a deduction will be verified if the source has changed (e.g. - the household has moved) or the total actual utility costs have changed by more than \$25.00. (*NOTE: At reported change, mid-point review or semi-annual report, households are required to report changes in shelter costs only if the household moves.*) Total actual utility costs which are unchanged or changed by \$25 or less will not be verified unless the information provided by the household regarding these expenses is incomplete, inaccurate, inconsistent or outdated. When verification of questionable information regarding shelter costs is requested, documentation of this request must appear. The reason the information was considered questionable must appear in this documentation.

If the household cannot provide verification of actual expenses before the date specified on the *Notice of Delayed Action* (DCO-206) or the *Notice of Action* (DCO-1), the worker will use the utility standard in the household's budget if the household is entitled to use the standard. See FSC 6621. If the household is not entitled to use the standard, unverified utility costs will be disallowed. (Only the unverified costs will be disallowed. For example, if the household provides verification of the electricity bill but not the water bill, only the water bill will be disallowed.)

If the household wishes to claim expenses for an unoccupied home (see FSC 4410), the worker must verify the household's actual utility expenses for the unoccupied home in every case. In no instance will the utility standard be allowed for an unoccupied home.

The Shelter Deduction and Determining if an Expense Should be Deducted

If obtaining verification of a household's shelter costs other than actual utilities may delay the household's certification, the worker will advise the household that eligibility and benefit level may be determined without the deduction of the unverified shelter cost. If the household's shelter costs cannot be verified within 30 days of the date of application, the worker will determine the household's eligibility and benefit level without providing a deduction for the unverified expense. (If the household has provided verification of some, but not all utility costs, the verified shelter costs will be allowed.) If the household subsequently provides the missing verification, the worker will treat the information as a reported change and will provide increased benefits, if any, in accordance with the standards provided in FSC 11310.

6628 Applying the Excess Shelter Deduction**10-01-03**

The excess shelter deduction must be calculated after the household's adjusted food stamp income has been determined. To apply the deduction, one-half of the adjusted food stamp income must be calculated. Then, this figure is subtracted from the household's total shelter costs. The result is the household's excess shelter.

Unless the household contains an aged or disabled member, the excess shelter deduction must not exceed the maximum allowable. See Standards Appendix for the current maximum allowable amounts.

Example At application the household's total shelter costs are \$400 and their adjusted income is \$420.

\$420 adjusted income ÷ 2 = \$210
 \$400 total shelter - \$210 (50% of adjusted income) = \$190
 \$190 excess shelter deduction

The excess shelter deduction is subtracted from the household's adjusted income to arrive at their net monthly income.

The maximum excess shelter deduction for households without an aged/disabled member was \$340 as of 06-01-01. The household's excess shelter deduction is \$190.

\$420 adjusted income
~~-190~~ excess shelter deduction
 \$230 net monthly income

6700 Determining if an Expense Should be Deducted**04-01-04**

Allowable medical expenses are specified in FSC 6510. Dependent care costs are specified in FSC 6400. Allowable shelter costs are specified in FSC 6610.

No expense is deductible unless the expense is incurred for a service provided by a non-household member, and the household has made or will make a money payment for the service.

Determining if an Expense Should be Deducted

Example Mrs. Miller has three children. Her oldest daughter is 17 and no longer attends school. Her two younger children are aged 3 and 4. Mrs. Miller pays her oldest daughter \$25 per week to keep the younger children while she works. This household does not incur an expense for dependent care since the payment is made from one household member to the other. The payment will not be counted as income for the 17 year-old member.

Child support payments are deductible as specified in FSC 6550 only if the payment is legally obligated and made by a household member to an individual who is not a household member.

Allowable expenses paid with money borrowed by a household member are deductible.

The following expenses are not allowable even if incurred by the household:

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1. Expenses paid with excluded educational income. (*See FSC 1622.9.*)
2. Expenses covered by demonstration project cash-out funds. (*See FSC 5413.1.*)
3. Expenses covered by an excluded reimbursement. (*See FSC 5411.*)
4. Utility costs paid through an excluded payment or an excluded reimbursement. For example, to determine allowable shelter costs when the household receives a HUD utility reimbursement check, subtract the amount of the check from the total actual utility costs. (*See FSC 6626.2 for information about households with HUD or FMHA utility reimbursements.*)
5. Dependent care costs reimbursed or paid through the Division of Child Care, TEA Program or similar programs. (*See FSC 6400.*)
6. Expenses that will be covered by an excluded vendor payment. (*See FSC 5413.*)
7. Expenses that are provided as an in-kind benefit. (*See FSC 5406.*)

Example A Mr. Logan, age 65, incurs a hospital bill for \$1,500. He reports that Medicare has reimbursed \$1,300 of this bill. \$200 is the amount of the allowable medical expense. (*See FSC 6522 for specific instructions on handling reimbursable medical bills.*)

Example B Mrs. Lee receives \$200 per month child support. In addition, her ex-husband is ordered by the court to pay her house payment of \$250 directly to the bank. Since this is an excludable vendor payment, the amount of the house payment will not be shown as a shelter cost when Mrs. Lee's food stamp budget is calculated. (*See FSC 5412 for an explanation of vendor payments excluded as income.*)

Example C Mr. Perry is a food stamp recipient. He lives in a trailer provided by Mr. Farmer. Mr. Farmer provides the utilities also. Mr. Farmer does not pay Mr. Perry a salary, but does allow Mr. Perry to live in a trailer in return for maintaining the property. Mr. Perry is not entitled to a shelter deduction.

Determining if an Expense Should be Deducted

Example D Mr. Smith is behind in his rent. The landlord agrees to let Mr. Smith work out his rent at \$3.35 per hour by washing cars at the landlord's used car lot. The rent is \$150 per month. Mr. Smith actually works 50 hours. The landlord gives him a check for \$17.50, which is the difference between the rent and the amount Mr. Smith has earned. Since this money, which would otherwise be payable to the household, was applied to a household expense, the worker will count \$167.50 as earned income in the food stamp budget. \$150 will be allowed as rent.

6710 Determining the Month the Deduction Should be Allowed**04-10-04**

A deduction for a billed expense other than child support payments will be allowed only in the month the household is billed for the expense or the expense otherwise becomes due. This is true no matter when the household intends to pay the expense.

Example Mr. Grant is living in a house owned by his brother. He is unemployed. When the brother is contacted, he states that Mr. Grant's rent is \$150 per month. He states that Mr. Grant is not currently paying the \$150 rent but will pay him when he gets a job. The worker will allow \$150 as a rent expense in Mr. Grant's case because he is incurring the cost even though he is not currently paying it.

Recurring monthly expenses will be allowed on a monthly basis even if two bills are received in the same month due to a billing cycle. Except for child support payments, amounts carried forward from past bill periods are not deductible even if included in the most recent bill and actually paid by the household. In any event, a particular expense may only be deducted once.

Example Mr. and Mrs. Yell apply for food stamps. They report that they make a house payment of \$300 per month to FHA. They present a receipt from FHA. The receipt indicates that the house payment is actually \$150. The other \$150 payment goes toward an arrearage owed by Mr. and Mrs. Yell. Only \$150 will be allowed as a shelter expense since this is the monthly amount incurred.

Child support paid out of the household's current income to make up for months in which the household did not meet its legal obligation is deductible. See FSC 6550-6552.

Bills that include only past due amounts are not allowable.

Example A household reports they are making a house payment of \$500 to FHA. The worker determines that FHA has declared a moratorium period of one year. During this year the household has agreed to pay all past due amounts, but will not be required to make their regular monthly payment. The household will not be allowed a house payment as a shelter cost during this period of moratorium.

Determining if an Expense Should be Deducted and Projecting Expenses

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Rent paid "in advance" is an allowable shelter cost. The monthly rent amount that would have otherwise been incurred by the household will be allowed as a shelter cost for each month covered by the advance payment.

Example Mrs. Jones received a \$4,000 lump sum settlement on April 1, 2004, and immediately paid \$3,600 to her landlord for an entire year's rent. This payment was for rent of \$300 per month and covered the period April 2004 to March 2005. Mrs. Jones will be allowed a \$300 rent payment each month during the same period - April 2004 to March 2005. (If she continues to incur the same rent cost, she will continue to be allowed \$300 per month after March 2005.)

6720 Projecting Expenses in a Prospective Budget**04-01-90**

When calculating a prospective food stamp budget, the county office worker attempts to project the household's expenses by considering past expenses as well as the household's statements about what they expect their expenses to be. Unless the household is reasonably sure that a change will occur, the most recent month's bills may be used to anticipate expenses.

6721 Special Procedures for Projecting Medical Expenses**04-01-90**

Monthly medical expenses are projected for households who are eligible for a medical deduction. (*One-time and periodic expenses are handled as specified in FSC 6521.1.*)

The worker must carefully examine the household's medical bills and question the household to determine:

- If the expense is incurred on a monthly basis, e.g., a maintenance drug purchased every 30 days;
- If the household expects to continue incurring the cost on a monthly basis, e.g., will the household continue to visit the doctor each month; and
- If the amount of the expense can be expected to increase or decrease, e.g., does the household expect to continue taking the same dosage of the prescription drug?

Based on the household's most recent expenses plus any anticipated changes, an amount may be determined for the cost of monthly medical expenses.

6722 Special Procedures for Projecting Utility Expenses**06-01-96**

NOTE **Utility usage is not to be projected by simply averaging utility bills for the last several months or the last year.**

When a household is not claiming the utility standard, changes in utility expenses may be projected for the upcoming period of certification based **on last year's utility bills for the same period**. The expense will be updated to reflect rate increases. If only the household's most recent utility bills are available, utility cost increases or decreases during the upcoming period of certification may be projected based upon utility company estimates for the type of dwelling.

06-01-96

06-01-96

NOTE Households not choosing to have expenses averaged will be allowed to deduct them in the month incurred.

**FSC – DEDUCTIONS
Chart**

6800 – 6800

6800 Chart

04-01-04

Deductions used in the Food Stamp Budget

Deduction	Description	Restrictions	Verification
Earned Income	20% of all gross earned income including self-employment. Designed to cover mandatory deductions and work-related expenses.	The household must have earned income.	N/A
Farm Loss Deduction	The deduction of the losses incurred by a farmer from other income available to the household.	<ol style="list-style-type: none"> 1. The loss must have occurred in a farming enterprise. 2. The annual gross proceeds of the farming enterprise must equal or exceed \$1000. 	N/A
Standard	A predetermined amount set by Federal law and applied to all food stamp households.	The amount of the standard deduction varies with the household size. See Appendix D for the current amounts of the standard deductions.	N/A
Dependent Care	A cost incurred by the household for the care of a child or disabled adult.	<ol style="list-style-type: none"> 1. The cost must be incurred when necessary for a household member to work, seek work, or to attend school or other training preparatory to beginning work. 2. The costs may not exceed a maximum allowable figure mandated by Federal law. See Appendix D for the current maximums. 	See FSC 6410

**FSC – DEDUCTIONS
Chart**

6800 – 6800

Medical	The household's total allowable medical costs in excess of \$35.00 per month.	Only medical costs incurred by aged or disabled members are allowable.	See FSC 6524
Child Support	Child support payments made by a household member to an individual who is not a household member.	Only legally obligated amounts are deductible.	See FSC 6550
Excess Shelter	The amount of the household's allowable shelter costs in excess of 50% of the household's income after all other allowable deductions. For purposes of determining allowable utility costs, eligible households may elect the standard utility allowance or may use their actual costs.	Shelter costs may not exceed a maximum allowable figure mandated by Federal law. <u>Exception</u> – This restriction does not apply to households with aged or disabled members. Such households are allowed to deduct all excess shelter costs.	See FSC 6627